

# The Aspen Institute Business Ownership Initiative Microlending Accelerator Program (MAP)

## Overview and Background

Microloans assist business owners in need of small-dollar loans that banks do not always offer. These loans are especially beneficial to entrepreneurs of color and can play a role in narrowing the racial wealth gap. The effects of systemic and structural racism that have impacted the ability of BIPOC (Black, indigenous, and people of color) individuals to build wealth and to access the resources needed to grow businesses means BIPOC-owned firms seek and are often only capable of absorbing relatively small amounts of debt. Federal Reserve survey data highlights this, showing that more than 70% of BIPOC businesses seek less than \$100,000 in loan capital.

However, banks are typically unwilling to make small loans because they have a lower profit margin. This means that most banks are not in a position to originate small-dollar small business loans at the scale demanded by BIPOC businesses. And although community development financial institutions (CDFIs) were created to fill this void and have been working within underserved communities for several decades, very few do microlending at significant volume. To fully meet the needs of the BIPOC businesses, the CDFI industry needs more lenders that are willing and able to make large numbers of microloans. This is critical in meeting both the needs of BIPOC-owned firms and the increased expectations that funders and investors have placed on CDFIs to address racial inequity. Originating microloans at high volumes requires a distinct set of functional and organizational capabilities that allow lenders to make loans to borrowers with low levels of wealth and collateral, and to do so more quickly and with greater efficiency than is typical for CDFIs making larger small business loans.

To help the industry meet the challenge of increasing its origination in microloans, particularly in markets and regions that lack high-volume CDFI microlenders, in 2022, the Aspen Institute [Business Ownership Initiative](#) (BOI) launched a pilot program to test a new model of capacity-building for CDFIs. In 2023, the [Microlending Accelerator Program](#) (MAP) will work with a second cohort, providing four to six CDFIs with customized technical support from individuals with direct experience in building key elements of a high-volume microloan program at CDFIs or fintech lenders. After an initial assessment of its current micro- and small business lending program, each cohort member will be paired with industry experts to assist them in priority areas of need to scale microlending. Participating CDFIs may also participate in joint activities with other cohort members working to address similar issues.

## **Program Goals**

- Demonstrate a new approach to growth for small but high potential microlenders through an accelerator model with tailored support.
- Deliver tangible solutions to enable committed CDFIs to implement defined microlending product(s) and processes, and to address shared challenges/needs blocking high-potential microlenders from scaling.
- Increase the number and percentage of microloans in BIPOC communities.
- Strengthen capacity, expand networks, and provide resources to BIPOC-led and BIPOC-serving CDFIs.

## **Program Components of Six-Month Accelerator**

- Organizational assessment to identify primary focus areas to facilitate growth.
- Sector-level experts in key functional areas provide coaching and change management support in areas including underwriting and credit policies, customer acquisition channels, lending team organization and management, portfolio and financial management, leadership, and financial technology.
- Learning Cohort – Participating CDFIs that share common issues in driving growth will meet periodically with other cohort members and the Aspen Institute team to share information and experiences in order to inform the best model/components for capacity building for scale.

## **Selection Criteria**

To be considered for MAP, organizations must be currently involved in small business lending. In addition, the organization's leadership must be able to demonstrate a strong commitment along with the capacity to substantially increase its originations of small-dollar small business loans, particularly to BIPOC-owned firms. Although an applicant organization does not have to demonstrate each of the items below, ways to show this commitment may include:

- Strong or increasing microloan originations for FYs 2020, 2021, and 2022.
- Originated or deployed a significant number of microloans or grants as part of pandemic relief programs or racial equity initiatives.
- Demonstrated transformation of key leadership to implement new vision for microlending.
- Adoption of a new or recent strategic plan or business plan indicating microlending as a part of current/future work.
- Demonstrated success in implementing and growing other lending products.
- Senior team engagement in scale-up process – CEO/Executive Director time commitment of an average of three hours per week

In addition to demonstrating a strong commitment to microlending, the selection process will also factor in the following:

- Existing market is underserved by CDFI microlenders reaching BIPOC business owners; preference for markets that lack CDFI infrastructure for microlending.
- Leadership team includes member(s) of the BIPOC community.

## **Cost**

MAP is free to all selected members of the cohort. However, participants will commit time to the implementation of a plan for growth.

## **Application process**

Step 1: Submit a letter of interest and attachments, which include:

- Describe the organization's current commitment to scaling microlending to BIPOC entrepreneurs. Explain the decisions or organizational factors that have limited your organization's volume of microlending to date. (500 words max)
- A brief discussion, from your perspective, of the challenges that have kept your organization from growing its microlending volume.
- A discussion of the geographic and demographic markets served by your CDFI, including BIPOC representation in the current small and microbusiness portfolio.
- Audit reports for the last two fiscal years.
- Volume of relief originations in 2020.
- Current loan/credit policy manual.
- Bios of the board of directors and executive team (if not included on the website).
- Contact information for two people who can speak to your organization's impact and leadership team's experience.

Note: Feel free to share a document that includes links to relevant information on your organization's website, such as bios for your organization's board of directors and leadership team, audited financials, etc.

Step 2: Based on the initial review of the letter of interest, organizations will be invited to continue in the process. The next steps will include:

- Submission of any additional documentation requested.
- Interview with CEO/executive director and key leadership member(s) who will be primarily responsible for scaling microlending.
- Interview with the appropriate person on the board.

### **Application Deadline**

Letters of Interest will be accepted from March 9 to April 21, 2023. MAP will begin in mid-July 2023. To apply [click here](#).

### **Questions**

For any questions, contact Tara C. Kenchen, Senior Consultant, The Aspen Institute, at [boi@aspenscience.org](mailto:boi@aspenscience.org) or (919)698-6070.